

CHINA FISHERY GROUP LIMITED
(Incorporated in the Cayman Islands)

**PROPOSED DISPOSAL OF A SUBSIDIARY OF THE COMPANY PURSUANT TO A CHAPTER 11
RESTRUCTURING PLAN RELATING TO THE GROUP – WAIVER FROM COMPLIANCE WITH
RULE 1014 OF THE LISTING MANUAL OF THE SGX-ST**

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of China Fishery Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) refers to the Company’s announcements dated 19 March 2021, 22 June 2021, 2 September 2021 (the “**Disposal Announcement**”), 22 July 2021 and 15 October 2021 (collectively, the “**Announcements**”).
- 1.2 Further to the Announcements, the Board wishes to update the Company’s shareholders (the “**Shareholders**”) that the Company had on 20 October 2021 submitted an application to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for a waiver from compliance with Rule 1014 of the listing manual of the Mainboard of the SGX-ST (the “**Listing Manual**”) in respect of the requirement for the Company to obtain approval of the Shareholders at an extraordinary general meeting of the Company (the “**EGM**”) in respect of the Proposed Disposal (the “**Waiver**”).
- 1.3 All capitalised terms used in this announcement which are not defined shall bear the meanings given to them in the Disposal Announcement.

2. WAIVER FROM COMPLIANCE WITH RULE 1014 OF THE LISTING MANUAL

In the SGX-ST’s reply dated 19 November 2021, the SGX-ST has informed the Company that, based on the Company’s submissions and representations to SGX-ST, it has no objection to the Company’s application for the Waiver, subject to the following conditions:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions (the “**Waiver Conditions**”) have been satisfied. If the Waiver Conditions have not been met on the date of the announcement, the Company must make an update announcement when the Waiver Conditions have all been met;
- (b) the Board’s confirmation that the Waiver will not be in contravention of any laws and regulations governing the Company and its constitution (or the equivalent in the Company’s country of incorporation); and
- (c) sanction of the proceedings commenced by CFGI in the High Court of England and Wales to convene a meeting of certain creditors in respect of a restructuring plan in order to give effect to the Confirmed Plan (the “**UK Plan**”) by the appropriate court in the United Kingdom (the “**UK Plan Sanction**”).

3. REASONS FOR WAIVER APPLICATION

The reasons for the Company’s application for Waiver are as follows:

- (a) **No material change in risk profile.** The Board is of the view that there will not be any material change in the risk profile of the Group arising from the Proposed Disposal. The Group has been a debtor under the Chapter 11 Case since 2016 and its primary focus since then had been on realising the value of the Peruvian OpCos in a manner that optimises value to creditors and stakeholders and is acceptable to

the US Bankruptcy Court. The Company has regularly updated its shareholders on the restructuring activities of the Group which are administered under the supervision of the US Bankruptcy Court. After more than five years of concerted efforts from the Company, its creditors and Chapter 11 Trustee, the Confirmed Plan represents a resolution to realising the value of the Peruvian OpCos which has been confirmed by the US Bankruptcy Court.

- (b) **Consideration for the Proposed Disposal compared to the Market Value of the Peruvian OpCos.** Based on the valuation conducted by the Kroll, LLC as an independent valuer (the “**Independent Valuer**”), on the assets to be disposed, and as set out in the summary report dated 12 November 2021 issued by the Independent Valuer (the “**Summary Valuation Report**”), *“the Market Value of the Peruvian OpCos’ assets is less than their liabilities. Accordingly, the equity value of CFG Peru’s direct and indirect shareholding in Peruvian OpCos is nil”*. Additionally, the market value of the operating assets of CFG Peru’s direct and indirect subsidiaries, the Peruvian OpCos, as of 31 May 2021, without regard to their debt obligations, is US\$784 million to US\$905 million, with an indicated value of US\$861 million. For reference, the Independent Valuer has adopted “Market Value” which, according to International Valuation Standards, is defined as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”*. A copy of the Summary Valuation Report is annexed hereto as Schedule 1.

In contrast, the estimated aggregate value of the consideration for the Proposed Disposal is US\$1,216.74 million (the “**Consideration**”), taking into account, amongst other things, the estimated net indebtedness and the book value of the assets subject to the Proposed Disposal, as well as:

- (i) amount owing to the Club Facility Lenders and Senior Notes Holders under the Club Facility Agreement and the Senior Notes, respectively (approximately US\$1,156.17 million);
- (ii) the amount owing to BANA under the BANA-CFG Peru Claim (approximately US\$31 million);
- (iii) the amount owing to SCB under the SCB Claims (approximately US\$3.57 million);
- (iv) the amount owing under certain administrative expense priority claims against the Other Debtors at which BANA and SCB hold allowed Claims on account of debt issued by or guaranteed by the Company or its direct or indirect subsidiaries (approximately US\$6 million); and
- (v) the Settlement Funds (approximately US\$20 million),

where the Consideration will be satisfied by, amongst other things, the release / settlement of the claims in respect of paragraphs 3(b)(i) to 3(b)(iv) above.

- (c) **No better alternative solution with adverse outcome in a liquidation scenario.** The net tangible assets (the “**NTA**”) of the Group prior to the Proposed Disposal is approximately negative US\$954.26 million and the Company is technically insolvent. Based on the Group’s current financial condition, it is not able to repay the Club Facility, the Senior Notes and any other obligations of the Group in full. Further, while the Chapter 11 Trustee had marketed the Peruvian OpCos extensively, the challenges faced by the Chapter 11 Trustee have proven that it is extremely difficult to find suitable buyers for the Peruvian OpCos that will generate sufficient proceeds to repay the Club Facility, the Senior Notes and any other obligations of the Group in full. Consequently, the Creditor Plan Proponents have exercised their legal right to put forth their restructuring plan, which contemplates the Proposed Disposal

confirmed by the US Bankruptcy Court. In light of the above, given the Group's obligation to repay its creditors, the alternative to the Confirmed Plan would be a liquidation of the Group. The Company understands that CFG Peru's direct and indirect shareholding in the Peruvian OpCos will have little to no value in a liquidation scenario as, outside of the Confirmed Plan, the sale of the assets that comprise the Peruvian OpCos will not generate sufficient proceeds to repay the Club Facility, the Senior Notes and any other obligations of the Peruvian OpCos in full. Moreover, as set out in paragraph 3(b) above, the Market Value of the Peruvian OpCos' assets is less than their liabilities and the equity value of CFG Peru's direct and indirect shareholding in Peruvian OpCos is nil. Consequentially, outside of the Confirmed Plan, there is not likely to be any value remaining for CFG Peru's shareholder or the Company either.

- (d) **Potential flowback to the Group and its other creditors.** Given the Group's current financial condition and current inability to repay its creditors, generally in common law jurisdictions (including Singapore) the interests of creditors would take precedence over interests of the shareholders of the Company. In this regard, it is contemplated that the Settlement Funds will be distributed pursuant to a separate restructuring plan filed by, amongst others, the Company and subject to approval by the US Bankruptcy Court under the US Bankruptcy Code (the "**Separate Restructuring Plan**")¹, to certain remaining creditors of the Group and possibly the shareholders of the Company as follows:
- (i) to the extent not paid in connection with the satisfaction of the Intercompany Netting Agreement, an amount equal to the allowed and unpaid professional fees and administrative Claims against the Other Debtors for the benefit of the holders of such professional fees and administrative Claims;
 - (ii) an amount equal to the lesser of (A) the value of allowed Unsecured Claims against Debtor subsidiaries of the Company and (B) US\$5.1 million for the benefit of holders of allowed Unsecured Claims against Debtor subsidiaries of the Company;
 - (iii) an amount equal to the lesser of (A) the value of allowed Unsecured Claims against the Company; and (B) US\$1.9 million for the benefit of holders of allowed Unsecured Claims against the Company; and
 - (iv) any remaining amounts (after consideration of items (i) through (iii) above) for the benefit of (A) holders of allowed Unsecured Claims against Super Investment Limited and Pacific Andes Resources Development Limited, being direct and indirect shareholders of the Company respectively (70.5% of such amount); and (B) public equity holders of the Company (29.5% of such amount). As any remaining amount remains subject to the approval by US Bankruptcy Court following the distribution as set out in items (i) through (iii) above, the amount for this distribution is currently not ascertainable.
- (e) **Overall financial improvement.** The Proposed Disposal will also improve the overall financial position of the Group. Assuming that the Proposed Disposal had been effected on 29 September 2019 (being the beginning of the most recently completed financial year of the Group ended 28 September 2020), (i) the earnings per share of the Group would have increased from negative 1.58 US cents to negative 0.13 US cents; and (ii) the NTA per ordinary share would increase from negative 25.91 US cents to negative 0.09 US cents.
- (f) **Ancillary administrative costs.** Due to the Group's financial condition, the Group has implemented significant cost cutting measures and reduced expenditures, where

¹ The Separate Restructuring Plan was filed on 27 September 2021.

possible. If the Company is required to convene an EGM to seek shareholders' approval for the Proposed Disposal, the Company will incur ancillary administrative costs such as newspaper advertising of the notice of EGM, printers' fees for typesetting of the circular in respect of the Proposed Disposal, engagement of external parties to process proxy forms and/or generally assist with the EGM process, scrutineers' fees, and these additional ancillary costs will place the Company in an even worse financial condition.

- (g) **Voting undertaking/majority shareholders' support.** Super Investment Limited and Golden Target Pacific Limited, who in aggregate have an interest of approximately 70.51% in the total number of issued shares of the Company as at the date of this letter, had each provided irrevocable undertakings to the Company that, among other things, in the event an EGM is convened for the purpose of approving the Proposed Disposal, they shall exercise all and any of their voting rights attached to shares held by them in favour of approving of the Proposed Disposal at such EGM. Accordingly, the outcome of the EGM (if an EGM is required) would be certain.
- (h) **Not prejudicial to interests of minority shareholders.** With the support of Super Investment Limited and Golden Target Pacific Limited, minority shareholders of the Company will not be prejudiced if the Company does not seek shareholders' approval prior to the Proposed Disposal as the outcome of the shareholders' votes will be the same whether shareholders' approval is sought for the Proposed Disposal. In any event, for the reasons set out in paragraphs 3(a) to 3(f) above, the Proposed Disposal would be in the best interests of the shareholders of the Company.
- (i) **The Proposed Disposal is a regulated process.** The Proposed Disposal takes place pursuant to Court-supervised proceedings in each of the US (under the Chapter 11 Plan) and in the UK (under the UK Plan). If the Singapore Scheme is proceeded with, the Proposed Disposal would also take effect under the Singapore Scheme, which is also a process that remains under the supervision of the High Court of the Republic of Singapore.

4. BOARD OPINION

The Board is of the opinion that there will be no material change in the risk profile of the Company arising from the Proposed Disposal as:

- (a) the Group has been a debtor under the Chapter 11 Case since 2016 and its primary focus since then had been on realising the value of the Peruvian OpCos in a manner that optimises value to creditors and stakeholders and is acceptable to the US Bankruptcy Court;
- (b) the Company has regularly updated its shareholders on the restructuring activities of the Group which are administered under the supervision of the US Bankruptcy Court; and
- (c) after more than five years of concerted efforts from the Company, its creditors and the former Chapter 11 Trustee, the Confirmed Plan represents a resolution to realising the value of the Peruvian OpCos which has been confirmed by the US Bankruptcy Court.

5. CONFIRMATION FROM THE BOARD

Pursuant to the Waiver Condition as set out in paragraph 2(b) above, the Company has on the date hereof submitted to the SGX-ST the confirmation from the Board that the Waiver will not be in contravention of any laws and regulations governing the Company and its constitution (or the equivalent in the Company's country of incorporation).

6. WAIVER FROM CONVENING EGM

Pursuant to the above, the Company wishes to announce that save for the condition relating to the UK Plan Sanction, the remaining Waiver Conditions have been satisfied. As the SGX-ST has granted the Waiver, subject to the fulfilment of the condition relating to the UK Plan Sanction, the Company will not be convening an EGM to seek Shareholders' approval for the Proposed Disposal.

7. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance that the UK Plan Sanction will be approved or the Proposed Disposal will be completed. The Company will make the necessary announcements when there are further developments on the UK Plan Sanction, the Proposed Disposal and other matters contemplated by this announcement. Persons who are in doubt as to the action should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Ng Puay Yee (Jessie)
Executive Director and Chief Executive Officer
26 November 2021

SCHEDULE 1

Summary Valuation Report

Appendix - Valuation Letter

12 November 2021

The Board of Directors
China Fishery Group Limited
Room 3201-10 Hong Kong Plaza
188 Connaught Road West
Hong Kong

Independent Valuation Summary Letter

Ladies and Gentlemen:

1. Introduction

Kroll, LLC (“Kroll” or “we”) has been appointed by the Board of Directors (the “Board” or the “Client”) of China Fishery Group Limited (“CFGL” or the “Company”) to perform valuation as of the date hereof (the “Valuation Date”) of CFG Peru Investments Pte. Ltd.’s (“CFG Peru”) direct and indirect shareholding in CFG Investment S.A.C. (“CFGI”) and Corporacion Pesquera Inca S.A.C., (“Copeinca” and together with CFGI and its other subsidiaries, the “Peruvian OpCos”) in connection with CFGI’s restructuring plan under Part 26A to the Companies Act 2006 in England (“Proposed Transaction”). This letter (the “Letter”) has been prepared in connection with the application by the Company to the Singapore Exchange Securities Trading Limited, for a waiver of the requirement for the Company to obtain shareholders’ approval for the Proposed Transaction (the “Purpose”) and is a summary of the information contained in our valuation report dated 12 November 2021 (the “Report”). Accordingly, this Letter should be read in conjunction with the full text of the Report.

Proposed Transaction

The Proposed Transaction involves a transfer of all of CFG Peru’s direct and indirect shareholding in the Peruvian OpCos to a new entity (“NewCo”) to be owned 100% by creditors affected by the Proposed Transaction (“Plan Creditors”) (subject to any potential dilution in connection with any employee incentive plan) free and clear from any and all existing claims and encumbrances. NewCo will be owned by the Plan Creditors who hold claims against CFGI in excess of \$1.1 billion. The Plan Creditors will release certain claims against CFGL and CFG Peru. The Proposed Transaction also pays certain fees and expenses of the supporting creditors. Furthermore, in connection with the Proposed Transaction, the netting agreement between (a) CFG Peru and its subsidiaries on the one hand, and (b) CFGL and its other subsidiaries on the

12 November 2021

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other hand will be effectuated. The steps required to implement the Proposed Transaction have been approved by the U.S. Bankruptcy Court overseeing CFG Peru's bankruptcy proceeding.

2. Terms of Reference

Kroll has been appointed by the Board to perform valuation of CFG Peru's direct and indirect shareholding in CFGI as of the Valuation Date for the Purpose.

We are not expressing an opinion or any form of assurance on the merits of any transaction including the Proposed Transaction. Accordingly, this Letter and the Report do not purport to contain all the information that may be necessary to fully evaluate the merits of the Proposed Transaction. The assessment of the merits of the Proposed Transaction is solely the responsibility of the Board. Additionally, our work does not constitute any investment recommendation and should not be considered as providing any commercial, financial, investment, divestment, or legal advice to the Company and any other party. Our work cannot replace any managerial decision or recommendation made by the Board. Our work is not a guarantee of the price that an acquirer might be willing to pay to acquire the assets or at which the relevant securities might trade; such price may vary significantly from the valuation presented herein.

We are not evaluating or commenting on the commercial, financial, investment, divestment, and legal merits and/or risks in any transaction, including the Proposed Transaction.

As discussed below, we have relied on projections provided by management of the Peruvian OpCos and from public sources, in each case without independent verification. The scope of our engagement does not require us to visit the Peruvian OpCos' vessels and facilities and we have not done so. We have not conducted a comprehensive review of the business and do not express a view on the future growth prospects and earnings potential of the Peruvian OpCos. Accordingly, the Letter does not make any representation or warranty, express or implied in this regard.

Use of the Letter and the Report

The Letter and the Report are addressed solely to, and for the use and benefit of, the Board for the Purpose, and, accordingly, neither this Letter nor the Report may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the current and prospective shareholders of the Company). While this analysis may be shared with the shareholders of the Company and relevant regulators, no party other than the Client may rely on this analysis. Any recommendation made by the Board to the shareholders of the Company shall remain the responsibility of the Board.

Reliance on Information and Representation

The information utilised in preparing the Letter and the Report was obtained from the Peruvian OpCos and public sources. Kroll relied, without independent verification, on the accuracy, completeness, and fair



12 November 2021

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presentation in all material respects of data, including all information contained in the Peruvian OpCos' unaudited financial statements as of and for the period ending 31 May 2021 (the latest date that could be practically obtained to provide this analysis on the required timeline), and relied on, without independent verification, the accuracy of information that Kroll obtained from public sources, private sources and management of the Peruvian OpCos ("Management").

Any estimates and projections contained in this Letter and the Report have been prepared by, or based on discussions with, Management and involve numerous and significant subjective assumptions and determinations, which may or may not prove to be correct. Projections necessarily involve risks and uncertainties. No representation or warranty, expressed or implied, is made as to the accuracy or completeness of such information and nothing contained in the Letter and the Report is, or shall be relied upon as, a representation, whether as to the past or the future. Kroll did not independently verify such information.

None of the selected public companies used in our analysis is directly comparable to the Peruvian OpCos or to the Proposed Transaction. The Peruvian OpCos and their affiliates comprise legal entities incorporated or operating in a number of jurisdictions. Any realisations achieved in restructurings are inherently uncertain, particularly where multiple jurisdictions are involved. This uncertainty is amplified in the current market given the impact of the COVID-19 pandemic. Accordingly, the valuations of the assets included are for illustrative purposes and the actual value obtained may differ, perhaps materially.

Nothing contained herein should be construed as tax, legal, regulatory, or accounting advice. Current and prospective shareholders of the Company should consult their tax, legal, and financial advisors before making any investment decision or election with respect to the Proposed Transaction.

3. Valuation Methodology

Basis of Value

The basis of value describes the fundamental premise on which the reported value will be based. We have adopted Market Value which, according to International Valuation Standards, is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion."

Selection of Valuation Approach and Method

The operating assets of Peruvian OpCos are valued as a going concern using two standard methodologies: (i) Income Approach – which values the business as the discounted value of future cash flows at the weighted average cost of capital, the midpoint of which we estimate to be 8.2%, and (ii) Market Approach – which values the business relative to other comparable companies on a multiple of earnings (in this case,



12 November 2021

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we use earnings before interest, tax, depreciation and amortization as the relevant measure of earnings). The comparable list of fishing companies was weighted 50% towards South American companies and 50% towards rest of world companies. While the Market Approach typically compares value to that of both publicly-traded companies and precedent transactions, a review of precedent transactions did not reveal relevant transactions in the last two years; accordingly, the market transactions method was excluded from our concluded value. We conclude that the value of the operating assets, without regard to their debt obligations, is US\$784 million to US\$905 million, with an indicated value of US\$861 million.

US\$ Millions

Overall Summary	Weighting	Low	Indicated	High
<i>Income Approach</i>				
Discounted Cash Flow Method	50.0%	\$ 785.3	\$ 825.3	\$ 854.6
<i>Market Approach</i>				
Market Comparable Method	50.0%	783.1	896.3	954.4
Market Transaction Method	0.0%	NM	NM	NM
Total Enterprise Value		\$ 784.2	\$ 860.8	\$ 904.5

Key Assumptions

The valuation presented herein and in the Report is based on the financial forecast received from Management, as adjusted to reflect historical operating levels. The Peruvian OpCos' value primarily derives from their anchovy fishing quotas for Peru's North-Centre harvests, entitling it to harvest 16.9% of the Total Allowable Catch ("TAC") authorised by the government of Peru each season. The financial forecast assumes 85% for the projected TAC is captured each year. TAC is assumed to be 4.5 million tonnes in a normal year. In years in which *El Niño* events occur, TAC is significantly reduced and assumed to be 3.0 million tonnes, based on historical experience from 2009 to present. Financial results are discretely projected through 2030. *El Niño* years are assumed to occur in 2024 and 2028. At the end of the discretely projected period, normalised year financial results are modelled based on the weighted average of the last four years (25% weight of a *El Niño* and 75% weight of normal results).

US\$ Millions	Actual Fiscal Year Ending December 31,					Projected Fiscal Year Ending December 31,				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue	\$ 248.4	\$ 314.2	\$ 418.9	\$ 400.8	\$ 297.1	\$ 427.8	\$ 406.1	\$ 412.2	\$ 352.1	\$ 346.0
Revenue Growth	-16.4%	26.4%	33.3%	-4.3%	-25.9%	44.0%	-5.1%	1.5%	-14.6%	-1.7%
EBITDA	34.5	50.2	144.3	67.9	87.1	139.0	121.5	119.3	77.4	96.7
As a % of Total Revenue	13.9%	16.0%	34.5%	16.9%	29.3%	-9.4%	7.3%	30.6%	35.8%	13.8%
Unlevered Cash Flow	(18.2)	0.7	(9.0)	60.3	(13.9)	29.0	77.1	70.8	47.8	61.6



4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this Letter, the Market Value of the Peruvian OpCos' assets is less than their liabilities. Accordingly, the equity value of CFG Peru's direct and indirect shareholding in Peruvian OpCos is **nil**.

US\$ Millions

Peruvian OpCo Operating Value	860.8
Cash Balance	67.4
Non-Core and Real Estate Assets	38.6
Accrued Professional Fees	(25.9)
Gross Asset Value	940.9
Total Debt Claims	1,164.8
Net Equity Value	(223.9)

Our valuation conclusion is based on the prevailing economic, market, industry, regulatory, and other conditions as of the Valuation Date and on the information made available to us by Management as of the date of the Report. These conditions may change significantly over a relatively short period of time. We assume no responsibility and are not required to update, revise, or reaffirm the valuation results set out herein and in the Report to reflect events or developments subsequent to the Valuation Date and the date of the Report.

Respectfully submitted,

/s/ David W. Prager

David W. Prager, CFA
Managing Director
Kroll, LLC
12 November 2021